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INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
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RUEHAK/AMEMBASSY ANKARA 5499
RUEHBJ/AMEMBASSY BEIJING 3222
RUEHKO/AMEMBASSY TOKYO 3087
RUEHIT/AMCONSUL ISTANBUL 3742
RUCPDOG/DEPT OF COMMERCE WASHDC
RHEHNSC/NSC WASHDC
RHEBAAA/DEPT OF ENERGY WASHDC
RHMCSUU/CDR USCENTCOM MACDILL AFB FL
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHDC
RUEKJCS/JOINT STAFF WASHDC
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RUEHVEN/USMISSION USOSCE 3770

C O N F I D E N T I A L ASHGABAT 000976

SIPDIS

SCA/CEN; EEB
ENERGY FOR EKIMOFF/THOMPSON
COMMERCE FOR HUEPER

E.O. 12958: DECL: 07/30/2019
TAGS: [PGOV](#) [EPET](#) [EINV](#) [TX](#)
SUBJECT: TURKMENISTAN: BURIED HILL CEO NOT CONCERNED ABOUT
LATEST EXCHANGES OVER CASPIAN DELIMITATION

REF: ASHGABAT 947

Classified By: DCM Sylvia Reed Curran, Reasons 1.4 (b) and (d)

¶1. (C) On July 30, poloff discussed recent developments in the Turkmenistan-Azerbaijan Caspian delimitation dispute with the CEO of Buried Hill Energy, Roger Haines. Buried Hill has a production sharing agreement (PSA) with the Turkmen government for an offshore block that includes the disputed Serdar field. Haines expressed no concern about the recent uptick in rhetoric from both sides following the latest round of delimitation negotiations (reftel). Regarding President Berdimuhamedov's announcement that Turkmenistan would pursue international arbitration in order to resolve the dispute, Haines suggested that the president's remarks were intended for a domestic audience to show that the government is defending its rights. He also thought it was positive that the two sides are talking and that they appear to be serious about resolving the issue.

¶2. (C) Haines mentioned that it might not be in Azerbaijan's interest to establish a boundary with Turkmenistan because of the negative effect that could have Azerbaijan's position in delimitation talks with Iran, where significant hydrocarbon deposits are also at stake. Instead, he suggested that the Turkmen and Azeris might be able to work out a joint development agreement, similar to an agreement reached between Saudi Arabia and Oman, in which, rather than determine a definite boundary, the two countries agree on a kind of "neutral zone" in the area where the boundary would lie, and then proceed with joint development of the area. Haines thought the Azeris are several stages ahead of the Turkmen in terms of commercial sophistication and would be more willing to consider such a solution, while Turkmen refusal to accept such an approach could contribute to the difficulty in resolving the issue.

¶3. (C) Regarding how the delimitation might affect his company's prospects in the Serdar field, Haines did not show any concern. He said Buried Hill had done research about the

issue before it had entered into the PSA, and that there were many factors to be taken into account in calculating the boundary. In the worst case, even if Buried Hill only ended up with half of Serdar, Haines said it would still be a huge amount of oil. Plus, any arbitration decision would take into account investments already made in the disputed areas by Buried Hill and BP on the Azeri side.

14. (C) COMMENT: According to one local contact, Haines has had a long career in the oil business and carries a reputation as a "wheeler-dealer." The fact the Buried Hill was the only company interested in the disputed Block III when it was shopped by the Turkmen government suggests a high tolerance for risk. Still, word on the street is that Buried Hill probably plans to eventually sell out its interest, rather than oversee development and production at Serdar. In that case, it would be in Buried Hill's interest for the delimitation issue to be resolved in some fashion in order to make its holding attractive to potential buyers. END COMMENT.
MILES